IHPS
INSTITUTE for
HEALTH POLICY
SOLUTIONS

Worker-Employer Choice: High-Level Policy Options

Overview of Options

1. Employer chooses one QHP, worker enrolls in that QHP.

2. Employer chooses one coverage level, worker chooses (any) QHP at that level. (Federally required option.)

3. Employer chooses two coverage levels, worker chooses among QHPs at those levels, but with some restrictions.

4. Worker can choose any QHP at any level.

Employer chooses <u>one QHP</u>, worker enrolls in that QHP.

Essentially the same as current market.
(Note that the term "QHP" implies only one specific health plan from one issuer at one coverage level.)

Possible option: Employer can also choose an employer "suite" from <u>one issuer</u>, consisting of two QHPs from two specified levels. (This option could pertain with respect to issuers who choose to offer such suites, as occurs in the current mkt.)

Advantages	Disadvantages
• Least risk for potential adverse selection / lowest risk premium effect.	• Worker cannot choose plan (carrier / provider network / delivery system) that best fits worker's situation/needs.
• Least difficult plan choice for workers. (Workers continue to rely on employer's decision / advice.)	• No ability for worker to make cost-conscious choice of carriers / provider networks / delivery systems.
• Most similar to existing small-employer market/systems, least need for new administrative systems.	• Least "Value Added" by SHOP Exchange; SHOP less likely to retain enrollment once federal small-business tax credit ends.
• No change required in employer payroll-deduction process.	• Least similarity to individual Exchange options; smallest opportunity for individual continuity for workers who change / lose jobs.
• Employers can maintain their contribution policies as at present.	• Requires Exchange to maintain both worker-choice and non-worker-choice administrative systems.
• Other?	• Other?

Employer chooses one coverage level, worker chooses a QHP at that level. (Federally required option.)

The SHOP must at least provide the following option for employers:

- Employer can pick a level of coverage (bronze, silver, etc.) it is willing to support.
- Each worker then gets to choose from among (all) the QHPs offered at that coverage level.
- Could be only SHOP construct, or one of multiple employer options.

Advantages	Disadvantages
• Worker can choose carrier / provider network / delivery system (but not coverage level) that best fits worker's situation/needs. (This kind of choice not now available in Maryland's small-group market.)	• Less worker choice than is available to individuals who enroll through the individual Exchange.
• Limits potential adverse selection by not allowing workers to choose their coverage (i.e., cost-sharing / "actuarial value") level.	• Potential for adverse selection / higher premiums (than traditional group policies). » Carriers offering broader, less tightly managed networks (e.g., PPOs) could experience adverse selection relative to QHPs with narrower, more tightly managed networks, especially if only available at the same coverage level.
• Risk adjustment potentially most effective across plans at same level (depending on methods).	• Not clear how adequate / effective risk adjustment will be.
• Promotes cost containment by enabling workers to make cost-conscious choice of carriers / provider networks / delivery systems. » If employer makes defined contribution, worker pays or saves premium difference.	• SHOP needs to have robust consumer information and decision support systems to help workers choose among QHPs, so employer does not have to play this role, and so agents can more readily service small groups in an individual-choice environment.

Employer chooses <u>one coverage level</u>, worker chooses a QHP at that level. (cont'd)

Advantages	**Disadvantages**
• Considerable "Value Added" by Exchange relative to traditional system; improves likelihood Exchange can retain enrollment once federal small-business tax credit ends.	• Differs from existing small-employer market / systems, requires new administrative systems.
• Allows employer to define their contribution and let worker choose which carrier / provider network / delivery system to enroll in.	• Employer must deduct different amounts from each enrolled worker's paycheck. (Per list bill supplied by SHOP.)
• Improves continuity of provider network / care system for workers who lose / change jobs.	• Workers may find choice process too difficult, seek advice from employer re: which plan to choose. (Potentially problematic for employer.)
• Allows employer to choose the level of coverage they are willing to support.	• Does not allow worker to choose a level of coverage, e.g., choose an HMO with lower cost-sharing v. a PPO with more provider choices.
• Other?	• Other?
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Employer chooses <u>one coverage level</u>, worker chooses a QHP at that level. (cont'd)

Note that:

- Proposed federal rules require the SHOP to perform functions that would make worker-choice as easy as possible for small-employers:
  - Handling enrollment functions using single standard enrollment form (single point of contact);
  - Sending a single "list bill" showing how much is due from each worker and from the employer (given the employer's contribution policy), and
  - Transmitting the proper payment to each of the carriers.
- Worker choice requires age-rated premium payments to plans to be on an individual-by-individual basis, rather than based on the average age of the group (composite rate).
  - The systems needed to support such worker choice would also support other worker-choice alternatives such as those presented next.

Possible Variation on Federally Required Construct …

… to reduce adverse selection against and gain participation of broad-network plans.

- Allowing workers to choose among HMOs at one level (chosen by employer) and PPOs from a lower level might be an alternative that would reduce adverse selection against broad-network plans.

  (By "HMO" in this context, we mean integrated delivery systems or other managed, closed network plans.)

Employer chooses <u>two</u> coverage levels, worker chooses among QHPs at those levels, but with some restrictions.

Employer selects 2 (or more) coverage levels; workers may choose a QHP at either of those levels, but with some limitations. (Different limitations could be designed.)

- One suggested limitation: the two levels cannot be "platinum" combined with "bronze."

Advantages	Disadvantages
• Worker can choose plan that fits worker's situation / needs (within prescribed limitations).	• Greater risk for potential adverse selection / higher risk premium effect than federally required option.
• Substantial incentive for worker to make cost-conscious choice of carrier / provider network / delivery system (assuming employer makes defined contribution).	• Value comparison of competing plans harder with multiple coverage levels (i.e., cost-sharing, "actuarial value").
• Allows employer to define their contribution and let worker choose which plan and pay the difference.	• Employer must deduct different amounts from each enrolled worker's paycheck. (Per list bill supplied by SHOP.)
• Second greatest similarity to individual Exchange options; improves continuity of provider network / care system for workers who change / lose jobs.	• Second most difficult "choice process" for workers to compare competing plans.
• Considerable "Value Added" by Exchange relative to traditional system. Improves likelihood Exchange can retain enrollment once federal small-business tax credit ends.	• Differs considerably from small-employer market / systems, requires new administrative systems. (But same basics as federally required option.)
• Minimal additional administrative burden on Exchange (relative to federally required option).	• Workers may seek advice from employer re: which plan to choose. (Potentially problematic for employer.)

Worker can choose any QHP at any level.

Worker may choose any QHPs offered by the SHOP at any coverage levels. Employer presumably makes a defined contribution, so the worker pays the full marginal cost of a more expensive plan.

- Suggested limitation: after initial selection, limit number of levels a worker can move at open enrollment.

Advantages	**Disadvantages**
• Worker can choose plan that best fits worker's situation/needs. (Greatest number of choices available to workers).	• Greatest risk for potential adverse selection / highest risk premium effect.
• Greatest "Value Added" by Exchange relative to traditional system.	• Least similar to existing small-employer market / systems, greatest need for new administrative systems. (But same basics as federally required option.)
• Greatest similarity to individual Exchange options, greatest opportunity for individual continuity for workers who lose / change jobs.	• Most difficult "choice process" for workers to compare competing plans. • Workers may seek advice from employer re: which plan to choose. (Potentially problematic for employer.)
• Allows employer to define their contribution and let worker choose which plan.	• Employer must deduct different amounts from each enrolled worker's paycheck. (Per list bill supplied by SHOP.)
• Minimal additional administrative burden on Exchange (relative to federally required option).	• Incentive / ability of workers to choose cost-effective carriers / provider networks / delivery systems may be undercut by choice across coverage levels, confusion from many choices.
• Other?	• Other?

Should Benefit Designs / Cost-Sharing Structures Be Standardized?

All small-group plans must fit into one of the four federally specified cost-sharing or "actuarial value (AV)" levels: "bronze" (60% AV), "silver" (70% AV), "gold" (80% AV) and "platinum" (90% AV).[*]

- The concept of different AV levels would presumably replace the current Maryland small-group-market structure that allows carriers to sell riders that "buy down" patient cost-sharing levels from the levels specified in the CSHBP. This ACA structure could be seen as standardizing the actuarial value—though not the precise design—of those "buy down" riders.

But, particularly at the bronze and silver levels, there will be many ways that an issuer can design patient cost-sharing (i.e., different combinations of deductibles, copayments and coinsurance rates) to achieve a particular AV level. Multiple cost-sharing designs at the same AV level could make comparison and choice of a QHP more difficult for workers—and therefore this issue is closely related to the worker-employer choice issue.

To facilitate informed worker choice of plans, the Exchange Board may wish to consider alternative options for standardizing patient cost-sharing structures within AV levels.[†] Three primary options are suggested:

1. Exchange specifies 1 or more standard cost-sharing designs per AV level. Participating issuers must offer <u>only</u> these standard designs.
   - The Exchange might specify only 1 design at the platinum level, but 2 or 3 at the bronze level. (E.g., Massachusetts specifies 1 "gold" design and 3 designs at each of the "silver" and "bronze" levels.)
2. Exchange specifies 1 (or 2) standard cost-sharing design per AV level. Participating issuers must offer these standard designs but may also offer a limited number (1-3) of additional cost-sharing designs of the issuer's own choosing.
   - The number of standardized or additional cost-sharing designs permitted might vary by AV level.
3. No standardization of cost-sharing levels. Participating issuers may offer any cost-sharing design that meets the criteria for the applicable AV level.

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[*] The AV levels are to be based on the percent of costs for essential health benefits that would be covered for a standard-risk population.

[†] Note that the lower AV levels, particularly bronze, would more logically accommodate a large number of standardized plans, such as a high-deductible design and a low-deductible-with-higher-coinsurance design.